

BRAC FOUNDATION - TANZANIA
Registered under Section 12(2) of Act, 24 of 2002
Balance Sheet as at 31 December 2006

	<u>Notes</u>	<u>US \$</u>	<u>TSH</u>
<u>ASSETS</u>			
Fixed assets	3	60,193	76,192,795
Loan to group members	4	459,746	581,952,774
Advances, deposits and prepayments	5	2,187	2,767,086
Fixed deposits	6	2,500,000	3,164,534,188
Cash in hand and at bank	7	354,617	448,694,403
		<u>3,376,743</u>	<u>4,274,141,246</u>

LIABILITIES

Donor fund investment in fixed assets	8	60,193	76,192,795
Grants received in advance	9	2,733,073	3,458,497,685
Loan revolving fund	10	105,833	133,964,859
Loan security funds	11	56,514	71,529,000
Other current liabilities	12	18,099	22,909,962
Capital fund		403,031	511,046,945
		<u>3,376,743</u>	<u>4,274,141,246</u>

The attached notes form an integral part of these accounts.

Chairperson, Governing Body
BRAC Foundation, Tanzania

Member, Governing Body
BRAC Foundation, Tanzania

As per annexed report of even date.

Dhaka, 18 March 2007

BRAC FOUNDATION - TANZANIA
Registered under Section 12(2) of Act, 24 of 2002
Income and Expenditure Statement
for the period ended 31 December 2006

	<u>Notes</u>	<u>US \$</u>	<u>TSH</u>
<u>INCOME</u>			
Grants	13	662,035	839,068,745
Service charge on loan to group members		33,117	41,776,540
Interest on bank deposits		7,087	8,966,780
Other income	14	12,415	15,715,077
		<u>714,654</u>	<u>905,527,142</u>
 <u>EXPENDITURE</u>			
Salary and benefits		97,321	123,190,253
Travelling and transportation		58,329	73,844,155
Stationery, rent and utilities		43,561	55,143,866
Maintenance and general expenses		41,481	52,515,325
Staff training and development		7,301	9,241,707
Consultancy and technical services		33,376	42,247,797
Loan loss provision for loans to group members		11,301	14,305,800
Depreciation on fixed assets		4,129	5,226,872
Head office logistic and management support		14,824	18,764,422
		<u>311,623</u>	<u>394,480,197</u>
Net surplus for the period		<u>403,031</u>	<u>511,046,945</u>
		<u>714,654</u>	<u>905,527,142</u>

The attached notes form an integral part of these accounts.

Chairperson, Governing Body
BRAC Foundation, Tanzania

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As per annexed report of even date.

Dhaka, 18 March 2007

BRAC FOUNDATION - TANZANIA
Registered under Section 12(2) of Act, 24 of 2002
Cash Flow Statement
for the period ended 31 December 2006

	<u>US \$</u>	<u>TSH</u>
Cash Flow from Operating Activities :		
Surplus of income over expenditure	403,031	511,046,945
Adjustments to reconcile changes in net assets to net cash provided by operating activities :		
Loan loss provision	11,301	14,305,800
Depreciation on fixed assets	4,129	5,226,872
Donor grants-amortization of investment in fixed assets	(4,129)	(5,226,872)
Service charge on loans to VO members	(33,117)	(41,776,540)
Interest income on fixed deposits	(7,087)	(8,966,780)
Adjustment for other accounts :		
Increase in service charge outstanding on loans to group members	(1,413)	(1,788,681)
Increase in advances, deposits and prepayments	(2,187)	(2,767,086)
Increase in current liabilities	18,099	22,909,962
Increase in deferred income	64,322	81,419,667
Net cash provided in operating activities	<u>452,949</u>	<u>574,383,287</u>
Cash Flow from Investing Activities :		
Increase in loan to group members	(469,634)	(594,469,893)
Service charge received on loans to group members	33,117	41,776,540
Interest paid on loan revolving funds	7,087	8,966,780
Increase in fixed deposits	(2,500,000)	(3,164,534,188)
Purchase of fixed assets	(64,322)	(81,419,667)
Net cash used in investing activities	<u>(2,993,752)</u>	<u>(3,789,680,428)</u>
Cash Flow from Financing Activities :		
Grants received during the period	3,439,661	4,353,969,933
BRAC's contribution	15,640	19,789,292
Grants utilized during the period for :		
- operational expenditure and micro finance	(657,906)	(833,841,873)
- investment in fixed assets	(64,322)	(81,419,667)
Increase in loan revolving funds	105,833	133,964,859
Increase in loan security funds	56,514	71,529,000
Net cash provided in Financing Activities	<u>2,895,420</u>	<u>3,663,991,544</u>
Net increase in Cash and Cash Equivalents	354,617	448,694,403
Cash and cash equivalents, beginning of the period	-	-
Cash and cash equivalents, end of the period	<u>354,617</u>	<u>448,694,403</u>

BRAC FOUNDATION - TANZANIA
Registered under Section 12(2) of Act, 24 of 2002
Notes to the Accounts to 31 December 2006

1. Background

BRAC Foundation-Tanzania, an international private development organization started its activities in November 2005 and registered under the Ministry of Internal Affairs, The United Republic of Tanzania with a view to participating in the development activities by adapting an environmental friendly sustainable development approach through high-impact health, agriculture and employment and income generation interventions for the poor, especially for women and children. At present, BRAC Foundation-Tanzania has two development programs that cover the areas of health, agriculture and micro finance to improve the livelihood of the poor people of 15 districts in Tanzania.

2. Summary of Significant Accounting Policies

BRAC Foundation - Tanzania prepares its financial statements under the historical cost convention on a going concern basis. BRAC Foundation-Tanzania generally follows the accrual basis of accounting or a modified form thereof for key income and expenditure items as disclosed in the Summary of Significant Accounting Policies. The financial statement are expressed in US \$ and in Tanzania Shilling (TSH).

2.1 Basis of preparation of financial statements

BRAC Foundation-Tanzania maintains its books of accounts and records on a program-wise basis. The country office maintains records of all treasury and management functions. All cash balances including those held for programmes are held by the Country Office and transferred to programme as required. Balances between projects are eliminated upon combination for the purpose of presentation of the financial statements.

BRAC Foundation-Tanzania's accounting records and financial statements are maintained and presented in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and internal recording into funds established according to their nature and purposes based on the existence or absence of donor-imposed restrictions.

2.2 Donor grants

Income from donor grants is recognized when conditions on which they depend have been met. Substantially BRAC Foundation-Tanzania's donor grants are for funding of projects and programmes and these grants income is recognized to equate to expenditure incurred on projects and programmes. For donor grants which involve funding for fixed assets, grant income is recognized as the amount equivalent to depreciation charged on the fixed assets concerned.

All donor grants received are initially recorded at fair value as liabilities in the grant received in advance account. For grants utilized to purchase fixed assets and motor cycles, the donor grants are transferred to deferred income accounts whilst for grants utilized to reimburse programme-related expenditure, the amounts are recognized as income. Donor grants received in kind through the provision of gifts and or services are recorded at fair value. Income recognition of such grants follows that of cash based donor grants and would thus depend on whether the grants are to be utilized for the purchase of fixed assets or expended as program related expenditure.

For ongoing projects and programmes, any expenditure yet to be funded but for which funding has been agreed at the end of the reporting period is recognized as grant receivable.

2.3 Revenue recognition

Service charge on loans to group members

Service charges on regular loans, that is, loans where no amounts are overdue as at the end of the reporting period are recognized on an accrual basis as income. The recognition of service charge ceases when the loan is transferred to non-interest bearing loan. These loans are referred to as "non- performing" loans.

Service charge previously accrued but not received on loans subsequently classified as non-performing is reversed. Service charge is included in income thereafter only when its receipt becomes probable, generally when it is realized.

Interest on bank deposits

Revenue is recognized as the interest accrues unless collectivity is not in doubt.

2.4 Expenses

Programme related expenses arise from goods and services being distributed to beneficiaries in accordance with the programme objectives and activities. BRAC Foundation's Country Office expenses are allocated to various projects and programmes based on agreement with donors.

2.5 Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided for on a straight line basis over the estimated useful lives at the following annual rates :

Furniture and fixtures	10 %
Equipment	15%
Vehicle	20%
Bi-cycle	20%
Motor cycle	20%

2.6 Loans to group members

BRAC Foundation-Tanzania's activities include providing micro credit loans to group members without collateral, on a service charge basis under various programmes. Loans are stated net of provisions for loan losses.

2.7 Provision for loan losses

BRAC Foundation-Tanzania provides for loan losses based on 2% of loan disbursements made. Non-performing loans are monitored and service charges are not recorded. Such loans are written off against the loan loss provision when recovery is unlikely. Management regularly assesses the adequacy of the loan loss provision based on the age of the loan portfolio. Any collections received from loans previously written off are credited to the statement of income and expenditure.

2.8 Borrowing cost

Borrowing costs are recognized as an expense in the period in which they are incurred.

2.9 Foreign currency transactions

At the end of month expenditure incurred in Tanzanian Shilling during the month is translated into US \$ at the average exchange rate for that month with a view to preparation and presentation of financial statements and other reports. Monetary assets and liabilities denominated in Tanzanian Shilling at balance sheet date are translated into US \$ at exchange rate prevailing at that date.

2.10 Financial instruments

Financial instruments are recognized in the balance sheet when the BRAC has become a party to the contractual provisions of the instrument.

a) Receivables

Receivables are carried at anticipated realizable values. Bad debts are written off when identified and an estimate is made for doubtful debts on a review of all outstanding amounts as at the balance sheet date.

b) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in future for goods and services received.

c) Interest-bearing borrowings

Interest bearing loans are recorded at the amount of proceeds received, net of transactions costs.

All borrowing costs are recognized as an expense in the income statement in the period in which they are incurred.

2.8 General

Figures have been rounded off to the nearest TSH and US Dollar.

3. Fixed assets

Particulars	Cost				Depreciation				Net Book Value at 31 December 2006 US \$
	Opening balance US \$	Additions during the period US \$	Adjustment for disposals/ transfer during the period US \$	Closing balance US \$	Opening balance US \$	Charged for the period US \$	Adjustment for disposals/ transfer during the period US \$	Closing balance US \$	
Furniture and fixtures	-	18,819	-	18,819	-	920	-	920	17,899
Equipment	-	33,920	-	33,920	-	2,346	-	2,346	31,574
Vehicle	-	5,907	-	5,907	-	295	-	295	5,612
Bi-cycle	-	2,792	-	2,792	-	280	-	280	2,512
Motor cycle	-	2,884	-	2,884	-	288	-	288	2,596
Total 2006 in US \$	-	64,322	-	64,322	-	4,129	-	4,129	60,193
Total 2006 in TSH	-	81,419,667	-	81,419,667	-	5,226,872	-	5,226,872	76,192,795

An amount of US \$ 4,129 equivalent to TSH 5,226,872 has been transferred to the Statement of Income and Expenditure from deferred income-investment in fixed assets to cover the depreciation charge for donor-funded fixed assets as disclosed in Notes 8 & 13.

4. **Loan to group members**

	Principal outstanding US \$	Service charge receivable US \$	Loan loss provision US \$	Total US \$
Balance at 1 January 2006	-	-	-	-
Addition during the period	565,056	33,117	(11,301)	586,872
Realization during the period	(95,422)	(31,704)	-	(127,126)
Balance at 31 December 2006	<u>469,634</u>	<u>1,413</u>	<u>(11,301)</u>	<u>459,746</u>
Equivalent TSH	<u>594,469,893</u>	<u>1,788,681</u>	<u>(14,305,800)</u>	<u>581,952,774</u>

5. **Advances, deposits and prepayments**

	US \$	TSH
Advance to suppliers	2,187	2,767,086
	<u>2,187</u>	<u>2,767,086</u>

6. **Fixed deposits**

Fixed deposits with Standard Chartered Bank of Tanzania Ltd.	2,500,000	3,164,534,188
	<u>2,500,000</u>	<u>3,164,534,188</u>

7. **Cash in hand and at bank**

Cash in hand	6,949	8,792,177
Cash at bank (Standard Chartered Bank of Tanzania Ltd.)	347,668	439,902,226
	<u>354,617</u>	<u>448,694,403</u>

8. **Donor fund investment in fixed assets**

Balance at 1 January 2006	-	-
Add : Transferred from grants received in advance	64,322	81,419,667
Less : Amortization to Statement of Income and Expenditure	(4,129)	(5,226,872)
Balance at 31 December 2006	<u>60,193</u>	<u>76,192,795</u>

9. <u>Grants received in advance</u>	US \$	TSH
Balance at 1 January 2006	-	-
Donations received during the period	3,439,661	4,353,969,933
BRAC's contribution	15,640	19,789,292
Transferred to deferred income :		
- Investment in fixed assets	(64,322)	(81,419,667)
Transferred to Statement of Income and Expenditure during the period	(263,076)	(332,844,279)
Loan fund utilization during the period	(394,830)	(500,997,594)
Balance at 31 December 2006	<u>2,733,073</u>	<u>3,458,497,685</u>

9.1 Donation received during the period

Name of the projects	Name of donor	US \$	TSH
1. Microfinance Program	Oxfam Novib	360,000	455,505,503
2. Integrated Development Project	Bill and Melinda Gates Foundation	3,079,661	3,898,464,430
		<u>3,439,661</u>	<u>4,353,969,933</u>

10. Loan revolving funds

BRAC Afghanistan	*	105,833	133,964,859
		<u>105,833</u>	<u>133,964,859</u>

This loan of US \$ 105,833 equivalent to TSH 133,964,859 was obtained from BRAC Afghanistan to disburse loan amongst the group members. This loan is interest free and is repayable over a period of two years within December 2008.

11. Loan security funds

Balance at 1 January 2006	-	-
Add : Deposits for the period	56,514	71,529,000
Less : Withdrawals during the period	-	-
Balance at 31 December 2006	<u>56,514</u>	<u>71,529,000</u>

	US \$	TSH
12. <u>Other current liabilities</u>		
Liabilities for expenses	18,099	22,909,962
	<u>18,099</u>	<u>22,909,962</u>
13. <u>Grants</u>		
Transferred from grants received in advance	657,906	833,841,873
Transferred from deferred income : amortization of investment in fixed assets	4,129	5,226,872
	<u>662,035</u>	<u>839,068,745</u>
14. <u>Other income</u>		
Admission fee	9,609	12,163,018
Loan appraisal fee	2,806	3,552,059
	<u>12,415</u>	<u>15,715,077</u>